

**EXHIBIT 3**  
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**(Unredacted copy filed**  
**under seal)**

**From:** Jason Gruber [REDACTED@microsoft.com]  
**Sent:** 7/17/2019 12:51:57 AM  
**To:** David Pann [REDACTED@microsoft.com]; Kya Sainsbury-Carter [REDACTED@microsoft.com]; Jeff Nienaber [REDACTED@microsoft.com]  
**CC:** David Britain [REDACTED@microsoft.com]  
**Subject:** Outbrain, 3rd party demand/rtb and overview  
**Attachments:** SAN\_Native and Display Monetization.docx  
**Importance:** High

Kya and David, I just chatted with Jeff about Outbrain's visit next week for their quarterly bd, msn and "dpo" checkin. I realize next Tuesday could be tight for planning, but I think REDACTED could be a very interesting partner to hear from because of their adoption of RTB, Native and how they will contribute REDACTED in revenue to MSN in 2019. I have asked REDACTED to prepare a presentation on how they have grown with MSFT over the past year including MSN. I wanted them to paint a picture of how they have evolved from Share of Voice, Infopane RTB bidding (REDACTED a month) to the new Mediation Service that SAM and the Bing team are deploying. They also have a unique pov on the opportunity with Microsoft and what would allow them to grow past REDACTED. They arrive late Monday night and could be flexible Tuesday for an one hour overview (maybe breakfast or drinks if business hours do not work). If you can make time, then they will try to have their CEO REDACTED fly out. Currently they are meeting with MSN from 11-1 tuesday, but I could look at shifting that if your respective schedule become available.

Along these lines I wanted to share the last BD SAN overview which we discussed in April during Jon's BD review that touches Display, Native, Partners and Programmatic (attached). Currently I work very closely with REDACTED and many of the Mediation Service and MSAN partner opportunities and recently have been asked to start thinking about both the next round of direct native bidders (see below).

If Tuesday 7/23 does not work for one or both of you, then I might look at delaying their visit or changing the agenda.  
Thank you  
Jason

Proposed DSP's

| DSP            | Value    | GEO | LOE | Focus |
|----------------|----------|-----|-----|-------|
| Amazon         | REDACTED |     |     |       |
| Criteo         |          |     |     |       |
| Adobe          |          |     |     |       |
| Sharethrough   |          |     |     |       |
| TTD            |          |     |     |       |
| Mediamath      |          |     |     |       |
| Tool Providers |          |     |     |       |
| SpotX          |          |     |     |       |
| DBM            |          |     |     |       |
| Media.net      |          |     |     |       |

**SAN - Native and Display Monetization**  
**April 4, 2019 Business Review**

**Initiative Description:**

Partner with DPO and publishers (Microsoft News, Outlook, Casual Gaming, Skype and Xbox) to align on strategy and grow display and native monetization across Verizon Media, Xandr and outsourced display and native demand aggregators. Update native and display agreements as necessary to support operational goals.

**BD Deliverables:**

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**State of the Business**

Since last business review there have been significant partnerships and operational milestones that impact the Microsoft Native and Display business. This includes closing the Verizon Media (VZM) agreement, operationalizing the Microsoft News Service (MNS) Mediation Service in collaboration with Taboola, closing various RTB amendments and renegotiating the Xandr agreements. We want to focus this business review on the implications of these Display and Native milestones and its impact on Search, Ads and News (SAN). Search Advertising represents a multi-billion dollar investment category for Microsoft, with complete control over the Search Ad stack, a Search Ads sales force and MSAN for Native audience extensions in non-search environments. Conversely, Microsoft's Display and Native ecosystem is made up of a third-party partnerships and technologies that are accelerating in their diversity heading into FY20. At the core of this paper is how we manage the fragmentation of our Native and Display partnerships and determining how these partnerships need to evolve with SAN.

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**Financial State (FY19 Projections)**

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## **Lessons Learned:**

### **Open auctions require operational expertise**

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What this graph shows is demand from RTB partners—Xandr, Outbrain, MSAN, Triplelift having greater yield than our traditional share of voice inventory allocations . Notwithstanding RTB's greater yield, dynamic flooring is critical to ensure maximal auction efficiency (dynamic flooring was a value driver of the Taboola deal). Opening up all Microsoft

display inventory to a first price auction that leverages header bidding is not a panacea. In order for RTB to be effective, it requires significant operational investment including experts in programmatic and developing dynamic flooring technology. With that said, advertisers are increasingly looking to place their advertising budgets via programmatic and are demanding transparency. Bidders are "smart". They figure out auction dynamics and are practicing "supply path optimization" in order to find the most efficient ways to find inventory. Along these lines the programmatic landscape in its transition to first price auctions and is experiencing the impact of bid shading which is also impacting Supply side monetization. This also bolsters the point that making Microsoft inventory available through many disparate paths makes it difficult to yield optimize.

### **Fragmented Microsoft publisher technology decisions.**

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## **Inter-dependency of key agreements and competitive partners.**

The more exclusivities and inventory guarantees Microsoft provides, the less optionality we have to enhance our own product offering and platforms. REDACTED

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## **Lines continue to blur between Native and Display.**

In the larger non-Search advertising ecosystem, as recently reported by eMarketer, digital advertising is getting close to a world where display advertising simply is native.”<sup>1</sup> Secular trends in the migration to mobile, social and programmatic advertising continue to grab share of advertiser demand and represent risks for our PC-centric assets and consumer base. The distinction between Native and Display for Microsoft is largely an organizational and contractual artifact that needs to be more fully examined for its effects on monetization. On the positive side, segregating Display from Native has allowed us more flexibility to explore non-VZW, AOL and Yahoo monetization solutions. On the negative side, it has added to the fragmentation of our ad platforms and the dependencies taken on a network of large and small partners.

## **Going Forward:**

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<sup>1</sup> eMarketer: US Native Advertising 2019-Display Budgets Keep Flowing to New Formats

Below are some of the more provocative questions Microsoft should consider as it lays the foundation of our Display and Native partner strategies for FY20 and how that impact the all-up SAN efforts.

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